

To:

The Secretary
Department of Treasury and Finance
Tasmanian Government
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From:

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29 December 2025

Submission on the Proposed 5% Short Stay Accommodation Levy

Reference A. Tasmanian Government Public Notice – Hobart Mercury 27 December 2025

1. Introduction

I welcome the opportunity to comment on the proposed legislation to introduce a 5% levy on short-stay accommodation platforms as invited at reference A. I support the Government's intention to improve housing availability and affordability for Tasmanians. However, the proposed levy, in its current form, is unlikely to achieve the intended policy outcome.

This submission outlines why the 5% levy will not meaningfully shift investor behaviour and proposes a more effective approach: a **policy mix** that combines a short-stay levy with a vacancy levy, supported by complementary Federal tax reform. This approach ensures both utilisation and under-utilisation of housing stock are addressed.

2. Limitations of the Proposed 5% Levy

2.1 The levy is paid by guests, not operators

Under the proposed model, the 5% levy is charged to the renter at the point of booking. This means the financial burden does not fall on property owners or operators. As a result:

- operators are insulated from the cost
- there is no meaningful incentive for owners to reconsider property use
- the levy functions primarily as a revenue-raising measure rather than a behavioural lever.

Because the levy does not materially affect investor returns, it is unlikely to shift properties from short-stay to long-term rental.

2.2 The levy targets activity, not the underlying issue

The core housing challenge is the withdrawal of dwellings from the long-term rental market. A levy on bookings does not address properties that sit vacant for much of the year or are used only intermittently as short-stay accommodation.

2.3 Potential inequity

Small-scale regional operators may be disproportionately affected in terms of compliance burden, while larger commercial operators can more easily absorb administrative requirements. This creates inequity without delivering meaningful housing outcomes.

3. A Policy Mix of Short Stay Levy and Vacancy Levy

A single policy tool is unlikely to address the complexity of Tasmania's housing pressures. A combined approach — retaining a short-stay levy while introducing a vacancy levy — would create a more balanced, effective, and fair system.

3.1 The short-stay levy: targets use, raises revenue, modestly influences supply

A short-stay levy has value when understood as part of a broader toolkit:

- it captures revenue from the tourism-driven use of residential housing
- it modestly discourages excessive short-stay utilisation
- it ensures that commercial use of housing stock contributes to public housing initiatives.

However, because the levy is paid by guests and does not materially affect investor returns, its impact on housing supply is limited.

3.2 The vacancy levy: targets hoarding and under-utilisation

A vacancy levy directly addresses the problem the short-stay levy cannot reach - properties that remain empty for most of the year. A vacancy levy:

- creates a clear financial incentive for owners to rent their properties long-term
- discourages speculative holding of housing stock
- has demonstrated effectiveness in other jurisdictions (e.g., Vancouver, Melbourne)
- applies only to genuinely under-utilised dwellings, improving fairness.

Where the short-stay levy targets **use**, the vacancy levy targets **non-use** — a crucial distinction.

3.3 Why the combination works

Together, the two levies:

- address both sides of the utilisation spectrum

- ensure that commercial use contributes revenue
- ensure that non-use incurs a cost
- create a more consistent and predictable policy environment
- reduce distortions that arise when only one form of utilisation is regulated.

This dual approach aligns with the principle that housing is both a private asset and a public good.

4. Suggested Design Principles for a Tasmanian Vacancy Levy

If the Government considers a vacancy levy, the following design features are recommended:

- **Clear definition of vacancy**, such as fewer than 90 days of occupancy per year
- **Exemptions** for legitimate circumstances such as renovation, medical absence, or probate
- **Tiered rates** to encourage compliance rather than punishment
- **Transparent reporting requirements**, supported by digital data-matching
- **Hypothecation of revenue to housing supply initiatives** - ensuring funds are ring-fenced for building and maintaining long-term housing stock - strengthening public trust and ensuring the levy directly contributes to the policy objective.

5. The Role of the Federal Government: Tax Settings as a Behavioural Lever

While State-based levies can influence utilisation patterns, the Commonwealth controls the most powerful financial lever affecting investor behaviour: **income-tax treatment of investment properties**.

5.1 Current tax settings reward under-utilisation

Federal tax rules allow investors to claim deductions even when properties are vacant or used intermittently for short-stay accommodation, provided they are notionally “available for rent”. This creates a structural incentive to:

- hold properties vacant
- use them intermittently for short-stay accommodation
- avoid the obligations associated with long-term tenancies.

5.2 Targeted Federal reform could shift behaviour

The Commonwealth could significantly influence investor behaviour by:

- denying or reducing deductions for periods when a property is not genuinely rented or actively available for long-term tenancy
- restricting deductions for properties used predominantly for short-stay accommodation
- linking deductibility to minimum annual occupancy thresholds in the long-term rental market.

Such reforms would:

- discourage speculative holding of housing stock
- reduce the attractiveness of short-stay conversion
- complement State-based levies by aligning financial incentives across jurisdictions.

5.3 A coordinated national approach is essential

Tasmania cannot, on its own, correct the distortions created by Federal tax settings. A cooperative approach — with Tasmania advocating for national reform — would ensure:

- consistent incentives across States and Territories
- reduced arbitrage between short-stay and long-term rental markets
- a more coherent national housing strategy.

6. Conclusion

The Government's objective of increasing long-term rental housing availability is both urgent and commendable. However, the proposed 5% short-stay levy alone is unlikely to shift investor behaviour or return meaningful numbers of dwellings to the rental market.

A more effective approach is a coordinated policy mix:

- retaining the short-stay levy to capture revenue from commercial use of residential housing
- introducing a vacancy levy to directly discourage under-utilisation and speculative holding
- advocating for national reform of Federal tax settings that currently reward vacancy and short-stay conversion

While States and Territories are each attempting to address distortions created by the short-stay market, these efforts remain fragmented. Without coordinated national reform — particularly in the income-tax treatment of investment properties — the most powerful lever for influencing property utilisation remains under-utilised.

A combined strategy of **short-stay levy + vacancy levy + Federal tax reform** would deliver stronger behavioural incentives, fairer outcomes, and a more meaningful contribution to housing supply. I encourage the Tasmanian Government to pursue this integrated approach and to advocate for complementary Commonwealth action.

I would welcome the opportunity to discuss these matters further or provide additional analysis if required.

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